



# ELECTION 2007

## Questioning Candidates Beyond the Platitudes

### In This Report

Restructuring Tax and Spending Policies	4
Srengthening the Workforce through Educational Realignment	7
Meeting the Standards of Education Accountability	9
Funding Health Care for the Uninsured	11
Funding the Big Ticket Needs	13



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*Funding for this report provided by  
Credit Bureau of Baton Rouge*

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## Introduction

Long-term economic development in Louisiana is stuck in neutral and progress is hampered by a continuous population exodus that drains brainpower, a workforce that lacks training and a quality of life that fails to attract new business. The current recovery-related economic boom Louisiana enjoys may be short-lived if opportunities to make lasting changes are not seized. This state needs leaders with the savvy and wisdom to put into action solutions that will manage the boom and increase the Louisiana's workforce capability.

With the baby-boomer population nearing retirement and the smart and skilled leaving for better opportunities, leaders are faced with the need to fund more services for fewer citizens. A steady supply of young and active workers is necessary to produce the tax base required to support a high-need population. Innovation in public policy could help to stave off the impending economic crisis likely to follow the state's troubling demographic trends.

Louisiana's efforts to attract new businesses often are thwarted by the lack of a ready and available workforce. Jobs follow people and people follow jobs and few of either are headed here. In the upcoming elections for governor, six other statewide elected offices and the Legislature, voters will select the cadre of leaders who will have the opportunity to steer Louisiana toward a more prosperous future – but only if a few visionaries are elected.

The elections this year are distinguished by a lack of incumbents, who often are advantaged at the polls and usually are considered a safe bet for voters. Not only has the governor chosen not to run for a second term in office, but nearly half of the members of the Legislature cannot run for re-election due to term limits. Many of the term-limited senators and representatives are choosing to run for a seat in the opposite chamber, so their familiar names, faces and approaches to politics and policy may remain. But, it is quite likely that around 40 percent of the new Legislature will be serving their first terms in office.

The set of policy reforms to implement and legal barriers to dismantle in order to improve the quality of living in the state is not clear beyond the general goals of better education, more jobs and safer, healthier communities. The path to a better way of life will require political courage, policy experimentation, and creative leadership that focuses on long-term, statewide goals for improvement.

Many specific recommendations for policy reforms have been laid out in PAR research publications over the past 57 years. Many have been adopted, specifically in the areas of education, ethics, sunshine laws and state finance. PAR has developed recommendations in some, but not all, of the policy areas covered in this report. The list of problems facing the state is far longer than the list of solutions.

This report outlines five topics on which voters can question candidates regarding their ideas for directing change. These are policy issues that demand decisive action in the next few years. They are outlined here to inform substantive debate that will draw out each candidate's creative vision for the state in the areas of health care, state finance, education and the economy. Following each description of the problems is a list of simple questions that require complex answers, which should help voters to sort the clear-sighted candidates from the rest.

The topics covered are:

1. Restructuring Tax and Spending Policies
2. Strengthening the Workforce through Educational Realignment
3. Meeting the Standards of Education Accountability
4. Funding Health Care for the Uninsured
5. Funding the Big Ticket Needs  
(transportation, retirement systems, coastal protection/restoration and rebuilding storm-damaged areas)

Problems in each of these policy areas can be traced to the state's population trends. A poor, undereducated and aging population requires more public health care services, which come at an increasing cost to taxpayers who already argue that they shoulder too much of the burden of paying for public services. As

demands grow for more services to be provided by the state, the state's capacity to fund local services will shrink if the workforce continues to shrink (and state revenue along with it). Loss of local services will lead to a declining quality of life, which will further hasten the exodus of the state's best and brightest.

Economic development will require policy solutions at all levels of the education spectrum to build the necessary workforce as well as to make the state more attractive to new businesses. Targeted investments in education and industry can lead the state to a more prosperous economy where the young and educated can and will put down roots. But, without thoughtful approaches to education reform, workforce development, health care, tax reform and business attraction and retention, Louisiana is at risk of slipping farther down in the rankings where there is room to fall and settling in at rock bottom where there is none.

To build confidence that Louisiana is a good place to live and do business, the state will have to address several multi-billion dollar needs such as the transportation infrastructure maintenance and

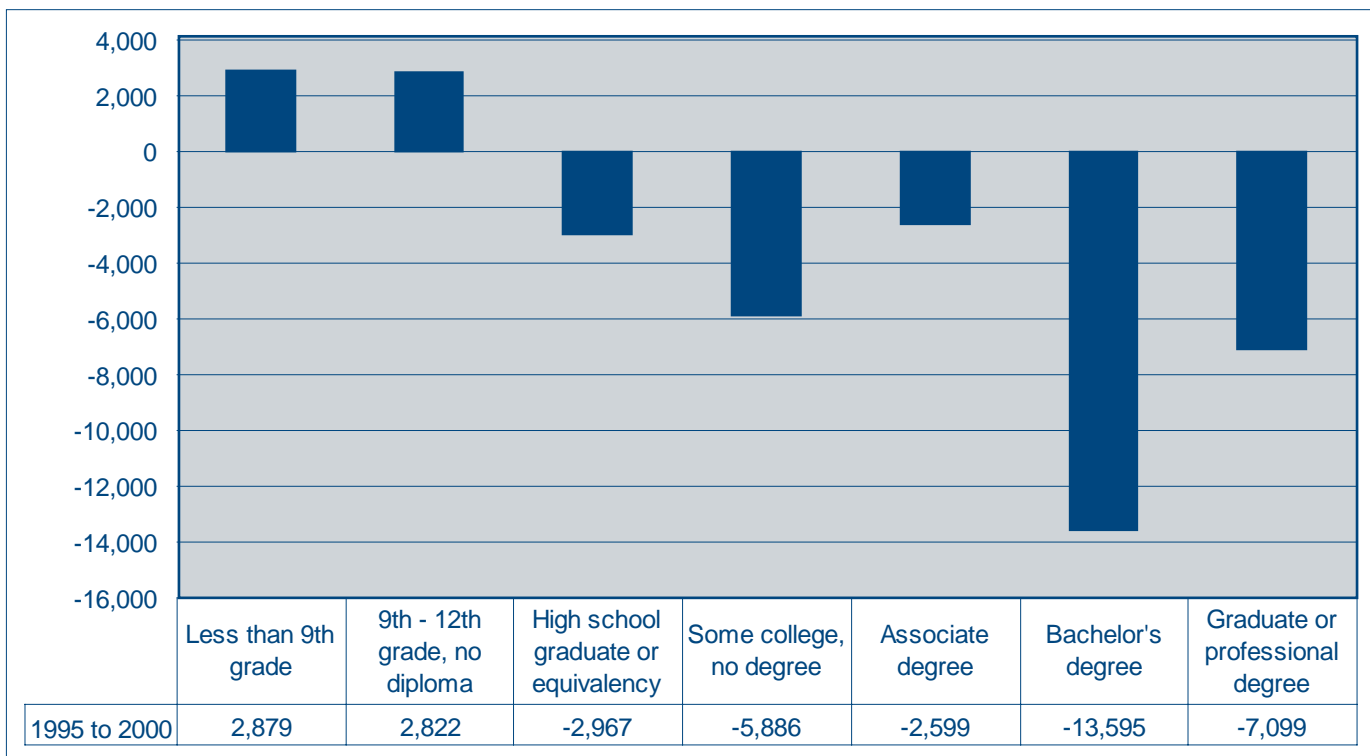
construction backlog (\$14 billion and growing), the unfunded accrued retirement debt (\$12 billion and growing), coastal restoration/protection projects (\$55 billion and growing), and storm-damaged community infrastructure repair and rebuilding (more than \$30 billion in identified needs still unfunded).

### *Population Evolution*

Migration statistics show that from 2000 to 2006, 7 percent of the state's population left the state. In contrast, the population of the South grew 5 percent and that of the nation grew 3 percent due to migration alone. The data that combine births, deaths and migration show Louisiana's population dropped by 4 percent, while the nation's grew by 6 percent and the South's grew by 9 percent.

Much of Louisiana's population loss happened as a result of the storms of 2005. Census data show that the state's population dropped by 5 percent from 2005 to 2006 due to migration alone. The census bureau used a new methodology to estimate the post-Hurricane Katrina population figures, which have been criticized

**Figure 1. Louisiana Net Migration by Educational Attainment, 1995-2000**  
(population age 25 years and over)



SOURCE: U.S. Census Bureau, Census 2000

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as being inaccurate. The estimates will be refined in the coming years to quantify more accurately the extent of the population change. Further analysis also will enable policymakers to determine the specific demographics of the population that remains.

What is certain now, however, is that the population was growing more slowly in Louisiana than in the nation or the region for several years preceding 2005, and the characteristics of those moving away are the very ones Louisiana should try to retain for its economic development – skilled, degreed and working age.

Figure 1 shows significant net out-migration of young adults with a college degree (associate level and higher) from 1995 to 2000. Of those college-educated, young adults who choose to live in Louisiana, their occupation concentrations are mostly in fields that may not show growth in the future market. Specifically, while Louisiana is retaining food and beverage servers, post-secondary teachers, mechanics and construction workers, it is losing primary education teachers, counselors, computer specialists and health care professionals. This means that Louisiana is exporting college-educated youth who are pursuing the very careers that will be needed in the workforce through 2012.

Another alarming statistic shows that Louisiana ranks last among states for in-migration of college-educated workers. An analysis by the Federal Reserve Bank of New York notes that “brain gain” can overcome the economic effects of “brain drain” but requires the right mix of a strong job market and geographic, social and cultural amenities that is difficult to achieve.

Evidence shows that Louisiana high-school graduates usually choose to attend Louisiana colleges. Essentially, Louisiana does a fair job of keeping and educating its college students, but loses them once they become viable members of the workforce. Census data indicate that in 2005 the percentage of people ages 16 to 64 who were in the labor force in Louisiana (including military) was 71.2 percent, compared to 75.3 percent for the nation. In a state ranking, this places Louisiana 48th – tied with Mississippi but

above Kentucky and West Virginia. Moreover, an alarming number of students fail to graduate from high school or to get the essential skills training they need to join the workforce. According to the Louisiana High School Redesign Commission, Louisiana employers are disappointed in many workers’ abilities to perform rudimentary tasks in their jobs.

Louisiana will face the same issues as the rest of the nation relative to the “baby-boomer” generation exiting the workforce in great numbers but still demanding support services. Population projections through the year 2030 show that Louisiana’s population is expected to continue growing more slowly than the rest of the nation, which will exacerbate the problems caused by the population over age 65 growing more quickly than the population under 18.

As national demographics shift, other states also are facing the challenge to keep their young and educated citizens from moving away and taking their revenue-generating potential with them. Some approaches to attacking the problem are to attract new workers and new jobs and to get residents to stay by offering incentives and improving the quality of life.

A recent Forbes Magazine analysis shows that Louisiana ranks 49th (up from last in 2006) in its “The Best States for Business” report. The ranking criteria, which include business costs, labor force quality, regulatory environment, economic climate, growth prospects and quality of life, highlight the need for policy intervention to improve the state’s position on this high-profile list.

A combination of demographic factors such as the brain drain, aging baby boomers and the low educational attainment of the state’s workforce will present a host of challenges for policymakers to negotiate as they attempt strategies for economic development in the coming years. These challenges, coupled with the state’s ongoing recovery from the storms of 2005, position the group of officials elected this year to develop and implement reforms that could propel Louisiana toward a brighter future.

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## Restructuring Tax and Spending Policies

### *Doing and Undoing Tax Reform*

Louisiana is often criticized for being a high-tax state in terms of business and personal income taxes. Louisiana's rankings on a personal income basis support this conclusion, but per-capita data show the state to be low when compared to the nation. The exception is the state's per-capita sales tax revenue, which stands out with a ranking of fifth highest in the nation.

Sales taxes are an important component of a state's business tax climate, according to the Tax Foundation, a national organization that compares state business tax climates on an index that includes measures of business and personal taxes. The organization characterizes Louisiana as being average or better in 2007 for its individual income taxes, major business taxes, unemployment insurance taxes, and taxes on wealth or assets such as property. But, the state's index score is depressed by high sales taxes.

Table 1 shows how Louisiana compares on a variety of state and local taxes. Louisiana is low on overall state-only and state and local tax revenue per capita. Property tax revenue is low and so is income tax revenue. Moreover, the Tax Foundation's assessment of the state's overall tax burden shows that the state is low on a per-capita basis and high on a personal income basis.

A tax system heavily reliant on sales taxes – like Louisiana has – is considered regressive and slow growing and places a heavier burden on the poor than on wealthier citizens. A move toward a more progressive tax system was implemented in 2003 following voters' amendment of the state Constitution with a package of tax changes called the Stelly Plan. This tax swap of sorts basically lowered sales taxes on food and utilities and increased income taxes. This effort to rebalance the state's tax structure was designed to gradually shift some of the tax burden off the poorest taxpayers and promote limited tax growth that would keep pace with personal income growth.

Three years into the reformed tax structure, data showed the plan to be accomplishing what it set out to do.

However, the very obvious income tax increase for some and the easily unnoticed sales tax decrease for all were and continue to be a major impetus for the reform's reversal. In the legislative session of 2007, opponents of the Stelly Plan accomplished a significant reversal with the restoration of the state deductions for excess federal itemized deductions, which generally benefit the state's wealthier citizens and those who itemize deductions on their tax returns (20 percent of tax filers). This tax break will reduce state income tax revenue by \$157 million in the 2008 fiscal year. The impact will grow to \$357 million by 2012. The tax brackets were not restored to their pre-Stelly divisions and the sales taxes were not raised or reinstated.

Legislators passed more than \$200 million in tax breaks in 2007 affecting the budget for 2008. Many additional tax breaks also were passed that do not take effect until the next administration is in office. The total impact of tax breaks this Legislature and governor will leave for their successors will decrease revenues by more than \$418 million in 2009 – which is more than double the value of tax breaks that had to be balanced in the current budget. Essentially, the budget will have to be cut by more than \$200 million if revenues do not increase to balance out the breaks. Their impact will exceed \$500 million for 2012 if they are all left in place.

One major business tax break, which passed the Legislature this year but was vetoed by the governor, would have ended a 1 percent sales tax on business utilities and would have decreased state revenues by more than \$68 million per year beginning in the 2009 fiscal year. Business groups have long called for elimination of this tax as part of an overall reduction in corporate taxes that would make the state more business friendly.

On the spending side, state budget and public employment growth in recent years has many calling for a massive reduction in taxes paid by corporations and individuals. The state's \$3 billion in surplus and additional revenue that was available for expenditure

**Table 1. Tax Rate Comparison with Other States**

		<b>Rank</b>	<b>Louisiana</b>	<b>U.S.</b>
<b>State and Local Tax Revenue, 2004</b>	per capita	33	<b>\$2,906</b>	\$3,441
	as percent of personal income	14	<b>10.7%</b>	10.4%
<b>State (only) Tax Revenue, 2005</b>	per capita	36	<b>\$1,917</b>	\$2,185
	as percent of personal income	10	<b>7.8%</b>	6.4%
<b>State and Local General Sales Tax Revenue, 2004</b>	per capita	5	<b>\$1,186</b>	\$834
<b>State and Local Property Tax Revenue, 2004</b>	per capita	46	<b>\$503</b>	\$1,084
<b>State (only) Income Tax Revenue, 2005</b>	per capita	38	<b>\$531</b>	\$743
<b>State and Local Tax Burden, 2006*</b>	per capita	31	<b>\$3,463</b>	\$4,072
	as percent of personal income	11	<b>11.0%</b>	10.6%
<b>State Business Tax Climate Index, 2007*</b>	composite measure – 10 being the best	30	<b>5.04</b>	5

*SOURCE: Morgan Quitno Press State Rankings 2007, using data from U.S. Census Bureau*

*\*SOURCE: Tax Foundation, using data from Bureau of Economic Analysis*

during the 2007 legislative session was identified as evidence that taxpayers are paying too much. Repeated calls essentially to “give it back,” however, were not accompanied by proposals to cut expenditures sufficiently to do so. The \$29 billion operating budget that was passed by the Legislature for the current year— up from around \$20 billion pre-Katrina – is the new baseline from which future spending cuts will have to be made. Around \$8 billion of the budget is for recovery-related expenses to be paid with federal funds.

### *Local/State Funding of Services*

Louisiana’s populist political history has led to a system where local governments are highly and uncommonly reliant upon state government resources. Local tax revenue is constitutionally limited and local income taxes are prohibited, leaving local governments with few options to raise taxes. The homestead exemption, industrial tax exemptions and property tax assessment practices keep property tax revenue artificially low. Several local governments around the state have begun to modernize their property tax assessment practices, which have historically undervalued property, failed to list all property and inconsistently calculated values. However, as property owners face higher, albeit more equitable, tax bills, further progress is resisted.

Beyond the ongoing, yet necessary demands local governments place on the state coffers, there is also a tradition of doling out state funds to favored legislators in the operating budget and capital outlay bills. Legislator amendments for local projects and services are scattered throughout the budgets. Member amendments for special projects like nonprofits and faith-based organizations in their districts continue to be inserted into the state’s operating budget with little accountability for the funding or scrutiny of the value of the services provided.

The capital outlay budget also includes many local projects, which tie up the state’s debt capacity and are used as political bargaining chips throughout the year. The governor has a high degree of control over funding for these projects beyond their initial insertion into the budget, which even then allows for little legislative input or meaningful discussion over the relative merits of the local projects that win favor.

In years where cash is plentiful, as the state is currently enjoying, funneling money to local governments for local services and projects seems like an acceptable price to pay for cooperation from legislators. However, in a tight budget year, the local projects will be the first to be cut. The undisciplined approach of state funding for local government and nonprofit projects creates an unhealthy dependence on state government that could leave the locals in the lurch the next time a budget crisis hits.

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## *Economic Development Incentive Funds*

An unprecedented \$400 million pot of cash was set aside by the Legislature this year to offer as an incentive to lure a German steel manufacturing plant to the state. The coveted company eventually chose Alabama over Louisiana, but the secret negotiations that occurred raised important questions about the use of incentive funds and the openness of negotiations.

Following the failure of that deal, a portion of the funding that was set aside was allocated to a \$150 million mega-project fund to be administered by the Department of Economic Development (DED). This follows a \$10 million rapid response incentive fund that was established in 2005. The DED is granted a great deal of secrecy to protect negotiations with companies that might benefit from these funds. Spending hundreds of millions in state funds in secret allows for impropriety and could diminish citizen confidence and trust in government. The long-term benefit to the state that might result from such a large up-front investment of public funds in a private endeavor is also a matter of debate.

State and local governments around the nation are increasingly using economic development incentive packages to retain and attract employers. The use of the funds is becoming a standard part of negotiations between government and industry, but in most states there is little accountability for results promised in exchange for the subsidies. The incentives offset the high costs of locating or expanding in a specific region or state. Often called gubernatorial war chests, corporate welfare or corporate location subsidies, these funds are usually obligated during secret negotiations. Calculations used to estimate the net economic impact of government subsidies to corporations are imprecise. Opponents argue that the funding often would be spent more effectively on job training programs to lure business with a ready and able workforce rather than on direct subsidies.

A study by the national research organization Good Jobs First notes that the average state has 30 different kinds of economic development subsidies,

many administered by local authorities. National best practices for ensuring accountability in the administration of such funds are under development.

### **TAX AND SPEND QUESTIONS FOR CANDIDATES**

1. In your vision of the ideal tax structure for Louisiana, should the following taxes be raised or lowered or should their burden be shifted to another group of taxpayers:
  - a. Property taxes
  - b. Sales taxes
  - c. Individual income taxes
  - d. Corporate income taxes
  - e. Other corporate taxes
2. If you think tax cuts should be granted, which expenditures would you cut?
3. How would you adjust the corporate tax structure to improve the state's rankings on business climate indices?
4. Should locals be given more authority to raise taxes?
5. Do you support further modifications to the Stelly Plan tax reforms?
6. Do you think the current level of spending state dollars for local functions is acceptable?
7. Should a two-thirds vote of the Legislature continue to be required to raise fees like tuition at higher education institutions?
8. Are economic development incentive funds an effective method for attracting new businesses?
9. How large should the state's economic development incentive fund be?
10. Are there business tax incentives you would implement to expand and diversify industry in the state?
11. Would you support the continued use of tax credits like the movie production credit? Are there any you would discontinue?



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## Strengthening the Workforce through Educational Realignment

### *Higher Education Spectrum*

Training a skilled workforce is one mission of the state's public post-secondary education system that has been shortchanged over the years as Louisiana focused on developing its extensive network of mid-level, four-year institutions. Louisiana's higher education system enrolls more of its students in its four-year institutions than other Southern states. With a community college system established in only the past decade, the state is struggling to provide the full range of high-quality post-secondary education opportunities for its citizens while maintaining funding for existing institutions.

The state has been moving toward a more efficient system by shifting enrollments from its four-year institutions to two-year institutions where education is less costly to provide and students are given better opportunities to succeed. The phase-in of admission standards for four-year institutions set by the higher education master plan of 2001 initiated the enrollment shift. To continue the trend, the state will need to continue increasing admissions criteria beyond the goals set by that master plan. Careful coordination with the state's high school redesign plan will be necessary to enable students to continue meeting the higher standards. Another struggle is that community and technical colleges will have to maintain quality amidst rapid expansion as more students are encouraged to enroll in those open admissions institutions.

The enrollment shift, however, is simply a means to an end: better outcomes for students. Funding drives quality, and quality drives outcomes, so funding should to some extent be distributed as reward for better outcomes. Currently, the stated institutional performance goals are fairly weak and unenforceable. A new master plan with institutional performance goals is under development by the Board of Regents. The last one was adopted in 2001 and is still in force.

The performance goals set by the new plan will guide higher education in this state for the foreseeable future.

The new master plan could force greater efficiency and accountability in higher education with more comprehensive and detailed role, scope and mission statements for each institution. Progress on this front is underway. The political challenge ahead is getting legislative cooperation to support new performance funding initiatives that will follow the new standards. Annual pools of incentive funding will have to be set aside to drive improvements at the institutional level. As there is little political gain in budgeting for such expenditures, incentive funds tend to be favored bargaining chips as the state's annual budget is developed.

### *Workforce Development*

Workforce development is a catch phrase to describe a plethora of state, local and private endeavors to train a sufficient number of workers to fill jobs that do not require a baccalaureate degree, but do require technical training. Turf battles and a series of funding decisions over the past decade have led to a fragmented system of workforce development initiatives with missions ranging from planning to training. However, there is no coordinated effort to track the supply and demand of skilled labor in Louisiana on an ongoing basis, or to develop the training programs that would fill the unmet needs. Further, the programs that are currently offered are funded primarily with federal funds.

Workforce development has not been a high priority in the state budget. The storms of 2005 prompted lawmakers to set aside \$15 million in the 2007 budget for training in the construction trades. This training fund was reduced in 2008 to \$13 million, and its scope was expanded to include nursing and allied health training. Beyond construction trades and recovery needs, the state will continue to face shortages in other fields. A permanent fund could be developed to enable training programs to respond to dynamic workforce needs in the future.

The Louisiana Community and Technical College System (LCTCS), the Louisiana Workforce Commission (LWC), the Department of Economic Development (DED) and the Department of Labor (DOL) all have their own planning and training initiatives. However, little has come of their disparate efforts. Employers continue to complain that the rapid-response and industry-based certification programs are insufficient to meet their needs.

The LCTCS is statutorily charged with leading and coordinating the statewide development of rapid-response workforce training to satisfy the changing needs of industry. However, DED and DOL are the primary recipients of funds to provide rapid-response training. Similarly, the LWC, an advisory body in the governor's office, has broad statutory authority to plan and coordinate all of the state's workforce development initiatives, but has little control over funding, so it has been largely ineffective.

Going forward, either the LCTCS or the LWC can be given the authority and funding necessary to coordinate all the state's workforce development and training programs. It would be difficult politically to empower either entity fully with all the necessary authority over other agencies and funding streams involved, so dedicated leadership will be required to force a more streamlined and effective system. The National Center for Higher Education Management Systems recommended that LCTCS be assigned primary responsibility for training delivery and LWC be charged with defining the need for services as requested by employers, DED, DOL and other agencies.

The federal Bureau of Labor Statistics estimates that through 2014 most high-growth, high-wage occupations will require some college education. A workforce capable of meeting these needs will be necessary to improve the state's economy. However, nearly a third of Louisiana's public high school students fail to even graduate from high school. Louisiana's future economic competitiveness requires that more students graduate from high school and obtain a post-secondary credential.

## ***Keeping Young Workers***

Training a ready and able workforce is only part of the solution. Ways to get degreed, certified and skilled graduates to stay in the state also must be identified. It is clear that certain states like Georgia, Florida and Texas are population magnets for the young and well-educated. But, for those states around the nation that are struggling to keep their graduates, the deployment of targeted incentives is a fledgling effort for which the results will not be evident for several years. Some policy experiments that are being proposed or implemented are as follows:

- Tax credits for student loan payments by future college graduates who stay and work in the state (Maine)
- Student loan forgiveness programs targeted at specific jobs like doctors and teachers or geographic areas (Pennsylvania)
- Tuition-free education in exchange for a promise to stay (Wisconsin)
- State income tax exemptions for residents under 30 (North Dakota and Iowa)
- Brain re-gain effort by targeting alumni with mailings, luncheons and job fairs (Nebraska)
- Establishment of youth commission to tap 18- to 35-year-olds for ideas on how to keep them in the state (Iowa)
- Student surveys by colleges to ask students and alumni why they chose to leave the state or stay (New Hampshire)
- Free tuition to all community college students (Massachusetts)

### **WORKFORCE DEVELOPMENT AND EDUCATIONAL REALIGNMENT QUESTIONS FOR CANDIDATES**

1. Which public entity should be responsible for tracking and planning the state's workforce development?
2. Which public entity should be responsible for implementing workforce training programs?
3. How can institutions be encouraged to respond more quickly to industry demands?

4. Should technical training alternative options be expanded in high school?
5. Is the balance of power among the Legislature, Board of Regents and higher education system boards appropriate for driving performance improvements?
6. Does the Legislature have too much authority over setting budgets for each higher education institution?
7. Should all four higher education systems be maintained, or should there be some sort of consolidation?
8. What should be the role of higher education institutions in the state's economic development efforts?
9. How can higher education investments be leveraged to help stop the brain drain?

## Meeting the Standards of Education Accountability

High-quality schools and a prosperous economy go hand in hand. An area considered to have “good” schools attracts new businesses, maintains a steady supply of workers for those businesses and offers a quality of life that encourages residents to stay. Conversely, communities with “bad” schools are caught in a cycle of economic deterioration from which young professionals flee in search of a better place to live and work; thus they lack the tax base to support resources needed to boost school quality.

Statewide education reform efforts have been underway for decades and while much progress has been made toward measuring success and failure, there is little consensus on the most effective path to improvement. The education accountability movement has been good for Louisiana, in that it has shone light on areas where improvement is badly needed and has reinforced the concern that there is still much work to be done. Each school and district now has a measure of where it is in terms of quality and where it needs to be. Policy leaders are now challenged to raise the educational outcomes

in the state to the level set by both state and federal standards.

Louisiana was one of a handful of states to lead the nation in establishing a comprehensive education accountability system. In 1998, per legislative mandate, the Louisiana School and District Accountability System was formally established, which included more rigorous content standards, testing and teacher quality initiatives.

The No Child Left Behind Act of 2001 (NCLB) represents a similar accountability initiative at the federal level. NCLB requires that *all* students—including economically disadvantaged, those from major racial and ethnic groups, students with disabilities and those with limited English proficiency—reach, at a minimum, “academic proficiency” in reading or language arts and mathematics by 2013-14. It also calls for highly qualified teachers in every classroom. The NCLB is up for possible reauthorization in 2007 and Congress is considering major revisions to the act as its effectiveness continues to be debated.

Initially, aligning the state's accountability system with the more stringent NCLB requirements was not problematic for Louisiana due to its early accountability advances. However, meeting NCLB's proficiency standards for *all* students, including student subgroups, has presented unique challenges for the state as its public school system is composed of a high percentage of minority, disabled and economically disadvantaged students.

Louisiana's long-term goal is that all schools have a school performance score (SPS) of “4 Star” or better by 2014, which would indicate that all students are at or above the basic proficiency level. Roughly 98 percent of schools have not yet met that goal. (See Table 2.)

Additionally, schools must show adequate yearly progress (AYP) among all students *and* within each student subgroup so that the 2013-14 NCLB proficiency goals will be met. In 2005-06, approximately 12 percent of schools (13) did not meet their AYP goal, relative to either their SPS or subgroup AYP.

Schools that fail to meet either SPS or AYP goals face progressively tougher sanctions. In 2005-06, 48 percent of schools (533) were identified as needing improvement or assistance based on unacceptable results or insufficient growth in student scores.

Efforts to improve student achievement and attract high-quality teachers have been introduced at the school, district and state levels. From pay raises and incentive programs for teachers, to controversial leadership changes for failing schools—Louisiana has taken action in the name of accountability. Questions remain, however, as to whether Louisiana’s efforts have been properly directed, since many schools and student subgroups are still not reaching acceptable standards.

In 2007, the administration and Legislature approved an across-the-board pay raise for educators in an effort to push Louisiana’s

average teacher pay up to that of the Southern average. The politically attractive and well-intended pay raise only reinforced existing inequities in pay among Louisiana’s school districts, as average pay in 51 of the 68 districts was expected to fall short of the Southern average. Chasing averages as a general practice is often difficult since averages continuously change.

Alternatively, the state’s investment could have been dispersed through the Minimum Foundation Program (MFP), which would have accounted for district differences and allowed them to grant pay raises that address unique district needs. By offering all teachers the same raise, Louisiana missed opportunities to equalize pay scales between rural and urban areas, as well as allow districts the flexibility to provide incentives relative to their most important local needs.

A second approach would have been to funnel money for teacher raises into incentive pay programs, in order to form a direct link between pay and performance.

**Table 2. 2005-06 Louisiana School Performance Scores**

School Performance Label	Number of Schools
5 Star (140.0 and above)	4
4 Star (120.0-139.9)	24
3 Star (100.0-119.9)	218
2 Star (80.0-99.9)	450
1 Star (60.0-79.9)	346
Academically Unacceptable (below 60.0)	85

*SOURCE: Louisiana Department of Education*

Louisiana has implemented a number of incentive pay initiatives, including the Louisiana Distinguished Educator Program (DE), the Louisiana Teacher Assistance and Assessment Program (LaTAAP), the National Board for Professional Teaching Certification (NBPT) and the Teacher Advancement Program (TAP). Programs such as these reward teachers for professional development, mentoring, additional certifications and classroom results. Performance and incentive pay models are gaining considerable support with national leaders in the education accountability movement.

In addition to revamping teacher pay to recruit high quality teachers and improve student achievement,

Louisiana has spearheaded controversial leadership moves to save failing schools. During the 2005 special session, the Legislature transferred control of 107

failing and low-performing schools from the Orleans Parish School Board (OPSB) to the newly created state Recovery School District (RSD).

Post-Katrina, with a lack of facilities, teachers and internal staff, the RSD struggled to supply the most basic student provisions, from hot lunches to textbooks. The void of affordable housing for teachers, adequate security and increasing crime exacerbated the situation. By 2007, some community members were objecting to their school system being run by “outsiders” and a few legislators were pushing to dismantle the RSD’s efforts and exempt New Orleans students from high-stakes testing.

To date, the RSD has repaired, reopened and is managing 22 public schools. Currently, the RSD also is managing 17 charter schools. Many charter schools feature more innovation in curriculum and management, as well as individualized attention and self-paced learning for students. Some of the more radical charter school reforms often are resisted politically. They include whole school

### *Critical Condition*

Health outcomes in Louisiana reflect a dismal picture of a high-cost, ineffective system of care.

- The state has the 12th highest level (17 percent) of uninsured overall, ranks 21st (8 percent) for uninsured children and fourth (24 percent) in percentage of adults without insurance.
- Louisiana ranks among the top 10 states for all the major killer diseases and scores first place for infant mortality, diabetes and kidney disease deaths and second place for cancer deaths and overall mortality rate.
- Louisiana ranks 47th in its percentage of not-for-profit, community hospitals vs. sixth in its percentage of government-owned and operated hospitals.
- Hospital spending in Louisiana is five times greater than non-hospital spending, compared to the national average of less than two-to-one.
- Louisiana ranks 50th in access to primary care.

The state's low health rankings have been rationalized by citing high poverty levels and lack of financial resources, but a number of other states with similar rates of poverty spend less on health care per capita and have better outcomes. Louisiana is the only state with such an extensive network of state-operated hospitals for the uninsured. Most states rely on not-for-profit, community hospitals to provide indigent care. Moreover, public hospitals elsewhere in the nation are much more financially self-sufficient than Louisiana's charity hospitals. Nationwide, public hospitals receive 63 percent of revenues from self-generated sources, while Louisiana's charity hospitals only collect 18 percent.

Management of the state's network of 10 charity hospitals has shifted among three different state departments over the past 20 years. In 1997, responsibility for managing the hospitals was transferred from the Louisiana Health Care Authority to LSU, which also operates the state's only public medical schools.

financing, which directs funding to the schools rather than the district, and innovative teacher and principal assignment and compensation strategies. Preliminary test results for the 2006-07 school year show promising performance by charter school students. Successes realized in this vast charter school experiment could be replicated across the state and therefore hold promise for the future of accountability.

Education accountability is an area in which experimentation, flexibility and progressive thought lead the debate. There are steep challenges ahead. Like the rest of the nation, Louisiana must find ways to recruit and retain good teachers and principals, close the achievement gap between student groups while helping all students excel, lower the high school dropout rate and create a more educated workforce for the future.

### **EDUCATION ACCOUNTABILITY QUESTIONS FOR CANDIDATES**

1. Do you believe that the teacher pay models should place more emphasis on teacher performance and student achievement or on teacher seniority and degree level?
2. What is your position on across-the-board pay raises for teachers and the current inequities in teacher pay among school districts?
3. Which current or proposed state policies will best attract and keep highly qualified, highly effective teachers and principals?
4. Do you support state takeover of chronically failing schools?
5. Do you support the continued use of high-stakes testing and the current accountability system?
6. Do you support the increased rigor and graduation requirements proposed by the Louisiana High School Redesign Commission?
7. Do you support vouchers or tax credits to help families pay for private school tuition?
8. Are there any education reforms you would implement regarding state and district governance, school finance or school leadership?

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The Board of Regents, which oversees the state's four higher education systems, recently sent a letter to the LSU Board of Supervisors outlining its concerns that LSU's continued management of the charity hospital system is a distraction from the system's academic mission and goes well beyond the responsibilities of medical education and training.

Now that the state has endured an unprecedented disaster that destroyed much of the health care system in south Louisiana, the conditions for reform appear to be in place. The decision of whether, where and at what size to build the replacement for the charity hospital in New Orleans represents the epitome of the health care reform debate.

Indigent patients have come to view the charity hospitals as their only option for seeing a primary care physician, yet the average physician's office visit costs only \$60 compared to the \$383 cost for the average visit to a hospital emergency department. Louisiana is rated worst in the nation for access to primary care services. Primary and preventive care promote early diagnosis and treatment, healthy lifestyles and wellness.

One alternative to Louisiana's expensive hospital-based safety net is to expand Medicaid eligibility to enable low-income patients to seek care from private physicians in their communities. Such services can be offered either through private insurance plans or administered by Medicaid. Physicians, however, are unlikely to provide services under these plans unless reimbursement rates offer adequate compensation.

Alternatively, the state could use Federally Qualified Health Centers (FQHCs) to provide primary care to the uninsured. Louisiana lags behind other Southern states with only 44 FQHC sites, compared to West Virginia's 132 and Mississippi's 144, for example. The state recently has stepped up its effort to develop FQHCs as "medical homes" for the uninsured, but widespread expansion of patient access to care through Medicaid or private insurance coverage has not been funded.

Over-reliance on institutional care also is demonstrated in the state's programs for the elderly

and people with disabilities. In 2004, Louisiana ranked fifth in the nation for institutional spending on long-term care and ranked first in the number of nursing home residents per elderly population, although occupancy rates are very low and 8,000 beds are empty. Institutional care is plentiful, for both the elderly and persons with developmental disabilities, but non-institutional care for both groups is scarce and lags behind other states.

Additional placements or "slots" were added this year to provide home and community-based services for persons with developmental disabilities and for the elderly. The largest increase was a \$61 million appropriation for 1,500 slots for the New Opportunities Waiver (NOW), bringing the total number of slots to 6,542. But the waiting list for services for this program for people with disabilities was nearly 15,000 and growing in 2006. An average of only 115 slots were added each year from 2001-2007, but 1,624 persons were added to the waiting list in 2006 alone. The average time spent on the waiting list is approximately 10 years, but new additions to the list can expect a much longer delay.

### *Planning for Reform*

Since the storms, the state has engaged in a two-tiered planning process that allows LSU to plan unilaterally for spending millions of state dollars in charity hospital reconstruction costs independent of both the Department of Health and Hospitals (DHH) and the state's official post-hurricane health care planning entity, the Health Care Redesign Collaborative. The necessary efficiencies cannot be realized without an integrated statewide approach to reform that plans for the entire public health care system, including charity hospitals. A coordinated approach to planning for a modern health care system would consider all of the component parts: health care coverage for low-income adults; the charity hospital system; the graduate medical education programs; quality standards; and the network of community-based care providers.

### *Passing as Reform*

The legislative session of 2007 yielded little in the way of meaningful health care reform, but much that

was touted as reform. The Medicaid budget for fiscal year 2008 reflects substantial growth and now stands at \$6.2 billion, a 30 percent increase over the \$4.75 billion fiscal year 2006 budget of only two years ago. The budget includes \$662 million in non-recurring state revenues.

The budget for the LSU Health Care Services Division, which relies on Medicaid and Disproportionate Share Hospital (DSH) subsidies for 75 percent of its operating revenues, shows a 25 percent increase in total funding. Yet, the budget largesse has not yet translated into addressing the real needs of the uninsured population.

The Medicaid budget for fiscal year 2008 contains some enhancements that are beneficial but do not constitute fundamental reform for a broken system. A Health Redesign Fund was established with \$54.9 million in initial funding appropriated for certain expenses incurred during fiscal year 2008, including funding for rate increases for private Medicaid physicians, health information technology initiatives, the Louisiana Health Quality Forum and a “medical home” system of care.

A new program called the Louisiana Children and Youth Health Insurance Program was created to cover children between 200 percent and 300 percent of the federal poverty level (approximately \$41,000 to \$62,000 annual income for a family of four). Medicaid and LaCHIP will continue to provide coverage for children with family incomes below 200 percent of the poverty level (\$41,000 for a family of four).

The highly regarded concept of “medical homes” for primary care for the uninsured will be implemented, but with heavy reliance on crowded charity hospital outpatient clinics. FQHCs are expected to participate, but the extent of their involvement is unknown at this time. Improved primary care services for low-income parents are planned through a limited coverage model. Conventional coverage that would provide widespread access and choice for patients is not contemplated, either through private insurance plans or Medicaid.

## HEALTH CARE QUESTIONS FOR CANDIDATES

1. Among the options for improving access to primary care for the state’s poor and uninsured population, do you prefer expanding private insurance coverage, expanding Medicaid coverage or some other approach?
2. Do you see the need for the state to continue to operate 10 charity hospitals? If so, should LSU maintain authority over them?
3. Should state and federal health care dollars for the uninsured primarily be used to finance charity hospital operations or should they be directed to pay for patient care at a broader range of private and public health care providers?
4. Should Medicaid coverage be expanded for low-income adults as it was expanded for children in low-income families over the past 10 years?
5. What role should the federal government play in the state’s health care reform?
6. What should be done to reduce the waiting lists for the state’s programs to provide in-home and community-based long-term care for the elderly and disabled?

## Funding the Big Ticket Needs

There are several multi-billion dollar needs that must be addressed as part of any effort to improve the overall quality of life in the state. Upgrading the transportation network, managing retirement debt, ensuring the sustainability of the coast and rebuilding the destruction left by the storms of 2005 are among the big ticket needs. The struggle facing policymakers will continue to be that dedicating funding for long-term solutions to these problems requires diverting funding away from more immediate, more popular goals.

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## ***Transportation***

The state's transportation grid currently serves as a major barrier to economic development because of disrepair, congestion and interrupted routes that slow commute time. Industry and individuals are affected by the state's slow progress in making upgrades and repairs. While the Louisiana Department of Transportation and Development (DOTD) has been modernized and trimmed for efficiency over the past few years, those administrative improvements only serve to ready the state to spend additional transportation dollars more effectively if they ever materialize.

Louisiana's transportation infrastructure has a \$14 billion and growing highway maintenance and construction backlog with no foreseeable funding source to start whittling it down. A separate DOTD project list includes more than \$15 billion in other road, rail, bridge and port and airport projects around the state that have been identified as important tools for economic development.

The state currently lacks a sustainable, reliable source of funding to address this problem. A 20-cent tax on gasoline is currently in place. Of that, 16 cents is dedicated to the Transportation Trust Fund (TTF). That tax rate was imposed in 1984 and is not indexed to inflation, so its buying power has dropped by half. The national average of state and local gas and excise taxes was 25 cents in June 2006, based on per-gallon price of \$2.64. If Louisiana's gas tax were raised by 5 cents to that level, it would generate roughly an additional \$155 million per year assuming consumption remained stable.

DOTD established in its 2003 Statewide Transportation Plan that it would take an additional \$250 million to \$400 million per year to manage adequately the state's transportation network in order to serve the state's economic development needs. Estimates based on cost increases since the storms of 2005 have called for an additional \$450 million to \$600 million annually.

A major push was made in 2007 to shift funding out of the general fund into the TTF. The plan would have shifted sales taxes from vehicles and vehicle parts and truck registration fees from the general fund into the TTF. Further, the burden to support certain state police traffic control functions and benefits for transportation employees would have been shifted from the TTF to the general fund. The initial impact of the plan would have been a \$456 million reduction in funding for other services in the state budget. No one proposed a list of cuts to items in the general fund to accompany the shift. This permanent funding shift ultimately did not pass, but the Legislature did approve a non-recurring \$600 million appropriation for state roads and bridges and \$42 million for ports.

Rising demand for transportation improvements and increasing construction costs to fund those improvements coupled with a general resistance to tax increases has led some states to seek creative ways to secure transportation funding. Oregon is engaged in a pilot study to tax motorists on their individual driving habits using global positioning technology. Texas and Florida have engaged in major public/private partnership agreements to build toll roads. Every policy option on the table from user fees to funding shifts to gas tax increases comes with a set of political pitfalls that have proven insurmountable so far in Louisiana.

### **TRANSPORTATION QUESTIONS FOR CANDIDATES**

1. How would you propose the state fund its \$14 billion backlog in highway construction and maintenance needs?
2. Would you support an increase in the gas tax, vehicle registration and license fees or other transportation-related revenue?
3. Would you support the construction of toll roads by either the state or private investors or placing tolls on existing roads or bridges?



4. If transportation-related revenue is shifted from the general fund to the Transportation Trust Fund, which state services should be cut from the general fund budget?
5. Do you think any of the interstate highways need to be widened or expanded with additional mileage or loops around urban areas? If so, how should these projects be funded?

### ***Retirement System Debt***

The state’s debt to current and former public employees for retirement benefits that have been promised to them is called the unfunded accrued liability (UAL). The bulk of the UAL is amortized much like a mortgage on a 40-year plan to achieve 100 percent funding by 2029. That goal is unlikely to be met for the state employees and teachers retirement systems, however, due to a backloaded payment schedule, added benefits and investment losses in some years.

The debt owed on the four state retirement systems and the nine statewide systems has ballooned from \$6 billion in fiscal year 2000 to \$12.6 billion in fiscal year 2005 and will continue to grow for another decade, according to the latest legislative actuary report published in 2006. Required annual payments on the UAL for the four state systems alone are projected to rise from \$617 million in fiscal year 2006 to \$2.2 billion by 2029. The average funding level for the four state systems fell from nearly 88 percent in fiscal year 2000 to 65 percent in fiscal year 2005.

These trends are troubling, yet in a year when more than \$3 billion in surplus and additional revenue was available, no funding was set aside for early payoff on the retirement debt. Recent estimates show that every \$1 paid early on the UAL yields a savings of \$4.72 in future budgets. While the impact of that investment is clearly significant, the importance policymakers place on it is clearly low.

Managing public retirement system debt is a national problem with many policy experiments

underway. Louisiana citizens will vote in October on a constitutional amendment to require the cost of all new retirement benefits for members in the four state systems to be paid off in 10 years with a funding source for payoff identified. If this passes, it would serve to limit additional long-term retirement debt for the state, but would do nothing to ease the burden of the current UAL on future budgets. Short of amending the constitution to extend the payoff date, early payment is the only option for dealing with that.

There is an additional unfunded accrued liability that the state eventually will have to address. A new national accounting standard soon will require states to calculate and report their liability for retiree health benefits, which are separate from the retirement benefits included in Louisiana’s \$12.6 billion UAL. Preliminary estimates show the state’s health benefit liability to range between \$6 billion and \$10 billion over the next 30 years.

### **RETIREMENT DEBT QUESTIONS FOR CANDIDATES**

1. Do you favor making early payments on the state’s retirement debt?
2. Are there any policies you would support to force expenditure of future budget surpluses on retirement debt?
3. Should there be restrictions on further expansions of retirement benefits for public employees?

### ***Coastal Restoration and Hurricane Protection***

The hurricanes of 2005 and the state’s ongoing recovery from them placed new emphasis on coastal restoration and protection policies and spotlighted them as economic development issues. Federal, state and local governments are coordinating a single plan to shore up the state’s flood control systems. Louisiana’s newly created Coastal Restoration and Protection Authority (CPRA) has developed the state’s first comprehensive plan for a sustainable coast, which could cost \$55 billion and take 30 years to implement. The U.S. Army Corps of Engineers is developing its own long-term plan to coordinate with the Louisiana CPRA plan, and the state’s local levee boards are

focused on maintaining the protection structures currently in place.

Building trust in the state's flood and hurricane protection systems is key to keeping and attracting residents and businesses to Louisiana. The storms of 2005 showed what happens when the barriers fail. Serious doubt has been cast on the reliability of manmade levees and drainage strategies. Insurance rates that have risen by as much as 50 percent since the storms offer early and measurable evidence of faltering trust in the security of life and property in this coastal state. This constellation of factors could serve to hasten the state's population loss.

Post-storm increases led many homeowners and businesses to question whether they could afford to stay in the state. A flurry of policy proposals was designed to lower insurance rates and stem the out-migration of insurers. A few administrative changes and financial incentives were offered as short-term relief to policyholders and insurers, but the only long-term reform that could be cited to reduce the risk of living in Louisiana is hurricane protection and flood control.

State officials in 2006 successfully negotiated a new federal funding source to pay for coastal restoration and hurricane protection projects. Congress dedicated a portion of revenue from Outer Continental Shelf oil and gas production to Louisiana. Estimates are that the state could receive around \$5 million to \$20 million per year through 2016, and then the revenue would jump into rising annual totals in excess of \$200 million. The Louisiana Constitution was amended to dedicate that revenue stream to coastal restoration and hurricane protection projects.

Another recently passed amendment to the Constitution allows a portion of revenues from a potential future sale of the state's remaining tobacco settlement proceeds to be used as matching funds for coastal projects.

All combined, however, the funding falls far short of the \$55 billion that will be needed to implement the new comprehensive master plan. Targeting available funding to the projects that will best ensure the state's economic development (those that will build trust

for citizens and businesses) is likely to be a political minefield with high stakes for the state's future.

### **COASTAL RESTORATION AND HURRICANE PROTECTION QUESTIONS FOR CANDIDATES**

1. How would you ensure that the mistakes regarding the design, location and maintenance of hurricane defenses are not repeated?
2. How would you use the state's existing programs to improve protection for the state's swamps and marshes? What new programs or policies do you think may be necessary?
3. How would you secure the funding and project authorizations necessary to begin implementing the key aspects of the coastal restoration and hurricane protection master plan, whether or not the federal government has committed to act?
4. Do you believe Louisiana must demonstrate leadership on policy solutions to deal with global warming or the "Dead Zone" in the Gulf of Mexico?

### ***Recovery of Storm-Damaged Areas***

Funding to rebuild both public and private infrastructure has fallen far short of expectations, and the costs for rebuilding has far exceeded them. Recent estimates are that the total cost to rebuild will be \$100 billion. However, even two years following the storms, this is still just an estimate. Much of the rebuilding of both homes and public infrastructure has yet to begin in the most heavily damaged areas.

The federal government so far has allocated a total of about \$26 billion (\$66 billion if flood insurance payments are included) to the state for all of the state's rebuilding needs, which are distinct from projects and services funded for the immediate response and recovery from the storms. Nearly \$5 billion has been allocated to rebuild public infrastructure, but only around half has been spent because of the difficulty in securing acceptable cost estimates, bureaucratic approvals and initial start-up funding. In short, the rebuilding is barely underway.

The degree to which state officials have had to wrangle with federal officials to win rule changes, current funding levels and project approvals has hampered the recovery. Ongoing negotiations certainly will require careful strategy as the rest of the nation tires of what seems like old news. Increasing calls for Louisiana to fund its own recovery indicate a need for the state to target available resources carefully, because the federal aid will only become more and more difficult to secure.

When it became evident that the Road Home homeowner grant program would likely fall short of full funding by \$5 billion, Louisiana's own congressional delegation called on the state to increase the amount it was willing to invest to make up the shortfall. The state's contribution was increased from \$700 million to \$1 billion upon that request. In future budget years such a request may be impossible to meet. State officials calculate that Louisiana so far has invested \$4.6 billion of state money in its own recovery.

With the economies of Orleans, St. Bernard and Plaquemines parishes still on life support, a formidable challenge lies ahead for state officials to resist parochial pressures and focus on the statewide gains of investing in the damaged region.

The long-term community planning initiative of the Louisiana Recovery Authority has developed a regional plan for the storm-affected area that identifies 10 priorities for sustainable recovery, smart growth and regional cooperation. Preliminary steps have been taken to develop a similar action plan for central and north Louisiana. The Louisiana Speaks plan includes the development of an Office of State Planning, a passenger rail link between New Orleans and Baton Rouge and other policies that support mass transit.

### **RECOVERY QUESTIONS FOR CANDIDATES**

1. How would you balance the needs of New Orleans and the other hurricane-damaged areas with the needs of the rest of the state in making budget spending decisions?

2. If Congress fails to provide additional funding to make up the Road Home program shortage, what would you propose to do?
3. Should the state take an active role in addressing the shortage of available, affordable housing in the storm damaged areas? If so, what should that role be?
4. What do you think the state should do to try to keep insurance rates affordable for the long term?
5. Which priorities of the Louisiana Speaks plan do you support?

## **Conclusion**

Candidate answers to the questions listed above will demonstrate the level of understanding each has about these pressing issues facing the state. Nothing short of determined leadership and well-developed policy intent toward clear goals in these areas will allow the state to seize on its current economic boom to build long-term prospects for the future. The combined threats of a shortage of skilled workers, corporate exodus and post-recovery economic decline warrant creative policymaking to head off a crisis.

An attack on all sides of the problem will be necessary – plug the holes in both the education and population pipelines, improve the quality and size of the skilled workforce, expand and diversify industry and raise the quality of life for everyone. This is a tall order that cannot be fulfilled during a single term in office, but without careful strategy from the outset it will be another four years before the state's path to progress is even mapped.

Citizens are positioned well in this election to demand change – candidates for a full set of statewide elected officials and the entire Legislature are on the ballot. Asking the hard questions now could push candidates beyond campaign platitudes and the state toward a brighter future.

## PAR Research Reports for More Information

The following PAR publications offer more in-depth analysis on many of the issues outlined above. They offer policy recommendations and comparisons with best practices around the nation. They are available at [www.la-par.org](http://www.la-par.org).

- “Corporate Tax Burdens in the Southern States: A Comparison,” April 2002
- “White Paper on Higher Education,” April 2003
- “White Paper on State Finance,” August 2003
- “White Paper on Elementary and Secondary Education,” September 2003
- “Public Employee Retirement: A Time for Change,” March 2005
- “Hurricanes and Health Care Reform: Can Louisiana turn a disaster into an opportunity?” April 2006
- “Action Steps for Access to Care,” June 2006
- “GulfGov Reports: One Year Later,” August 2006
- “Gulf Gov Reports: Education,” April 2007
- “GulfGov Reports: A Year and a Half After Katrina and Rita, an Uneven Recovery,” April 2007
- “Realigning Charity Health Care and Medical Education in Louisiana,” May 2007
- “Higher Education Tuition and Fees: Louisiana’s Options for Keeping Pace,” May 2007
- “Teacher and School Employee Pay: A Strategic Approach,” May 2007
- “PAR Wraps Up 2007 Session,” June 2007



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